



Roadmap for Washington State Financial and Administrative Policies, Process and Systems

Could-Be Business Process Model Focus Group General Ledger, Chart of Accounts and Financial Reporting

June 7, 2006 8:00 to Noon

AGENDA

1. Welcome and introductions	8:00	Kathy
2. Finalize as-is model: <ul style="list-style-type: none"> Updated process scope and business objectives (see page 2) Updated As-Is model Updated current business challenges (see page 3) 	8:10	Eclipse
3. Discuss and expand ideas for Bold Change – examples follow: “Fundamental rethinking and redesign of business processes to achieve dramatic improvements in critical contemporary measures of performances such as quality, service and speed.” <ul style="list-style-type: none"> a) Redesign the chart of accounts to accommodate both agency and statewide business needs, based on a strategic evaluation of the state’s financial information objectives b) Consolidate into a single general ledger, allowing for agency detail within the enterprise general ledger c) Empower agencies to close their books on a more frequent and/or timely basis and at a lower level of detail than statewide books are closed d) Integrate cash and general ledger transactions through single points of entry (straight through processing) e) Move all local funds to the State Treasurer to the extent possible f) Conduct all interagency business via electronic commerce g) Remove position tracking from the general ledger h) Facilitate monitoring of budgeted and actual revenues and expenditures against available cash, fund resources, and fund balance for all funding sources i) Help citizens understand where the money goes by linking revenues to expenditures j) Provide the flexibility to record complex financial transactions not defined by transaction codes 	8:40	Derek
4. Review and revise the straw-man Could-Be Model	9:00	Eclipse
BREAK	10:00	
5. Continue to revise the Could-Be Model	10:15	Eclipse
6. Discuss implications of the could-be model <ul style="list-style-type: none"> What policy changes would be needed? What data standards might be helpful? What other implementation challenges do you foresee? 	11:15	Derek
7. Next steps <ul style="list-style-type: none"> Assignments Follow-up #1 session, June 28, 8:00 – 12:00 PM, DIS Board Room Follow-up #2 session, July 12, 8:00 – 12:00 PM, DIS Board Room Process check 	11:45	Kathy



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General Ledger / Chart of Accounts Process Scope

General ledger accounting is the process of preparing, reviewing and recording accounting transactions to the appropriate fiscal period and accounts, reconciling subsidiaries with the general ledger, and managing the chart of accounts.

Financial Reporting Process Scope

Financial Reporting is the process of collecting, analyzing, and presenting financial information to support managerial, compliance and performance reporting for agency and statewide purposes on a periodic and ad-hoc basis for internal and external use.

Business Objectives

Control and capture economic events

1. Record authorized economic events consistently, accurately and timely to ensure accountability and that the results of operations and financial position are fairly stated in compliance with professional and other regulatory standards.
2. Provide flexibility to support current and evolving agency and statewide business needs and industry standards.
3. Provide chart of accounts definitions and standards to enable agency and statewide data collection and financial analysis.
4. Support reporting of financial data across a multi-year time period for long-term analyses, as changes are made to the chart of accounts.
5. Ensure subsidiary accounts and agency line of business systems are in balance with the general ledger.
6. Support financial data interchange with private and public business partners.

Align financial results with strategic and operational goals

7. Provide a variety of fiscal reporting views to enable agency autonomy and statewide consolidation to meet management and reporting objectives. Views may include timeframes, fund type, level of detail, general ledger account classifications, accounting basis, and so forth.
8. Support both governmental and proprietary operations.
9. Facilitate planning, resource allocation, budget analysis, statistical evaluation, cash control, management control, and operating and strategic decision-making at the agency and statewide levels.

Present financial results

10. Provide visibility and accountability and support performance results in the use of public resources.
11. Demonstrate the effectiveness of legally authorized functions or activities within government.
12. Present financial results for operational, managerial, compliance and performance measurement purposes.
13. Monitor and assess financial condition and activity at various agency and statewide levels.
14. Inspire investor and stakeholder confidence by demonstrating compliance with the highest professional standards.



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DRAFT Current Business Challenges

1. Reporting expenditures by budget activity is a labor intensive process based on assumptions and estimates; it is especially difficult to allocate indirect and overhead administrative costs between activities and compile budget activity data across agencies
2. It is difficult to track costs by and manage grant, project, contract, asset and location information
3. Some agencies need to prepare "on-demand" formal financial statements on a more frequent or timely basis than AFRS closes (e.g. federal fiscal years, calendar year, quarters, four weeks, etc.)
4. Proprietary fund agencies need more robust functionality to calculate cost of goods sold, track resources available for operations, generate detailed profit and loss statements and manage day to day business operations
5. Financial close process is labor intensive, making it difficult to keep up with current fiscal period work
6. Even with improved enterprise reporting tools, it still takes significant effort for some agencies to re-sort and compile data to meet agency internal management needs
7. It is challenging for agencies to reconcile cash transactions with financial transactions
8. Agencies need to be able to link performance measures with budget status reports and interim financial statements
9. The state biennial budget crosses fiscal years making certain reporting challenging (e.g. quarterly reporting in 2nd year of biennium)
10. Reconciling interagency due-to and due-from accounts requires a lot of effort during financial close
11. Transaction codes limit agency ability to record unusual events such as certain inventory activity; These events must sometimes be recorded as a series of transactions and reversals that tend to obfuscate the intent and distort activity reporting
12. Agencies have limited ability to switch revenue and expenditure views between modified accrual, full accrual and cash bases
13. It is challenging to communicate "where the money goes" to citizens (e.g. what public services are provided by which revenue sources)
14. In non-appropriated funds, it is difficult to earmark revenues or fund balance for special purposes
15. Legislated budgets for internal service funds are not always consistent with GAAP
16. Historical totals for detailed account code fields such as org index and sub program are lost at biennium roll
17. Agencies need better support for specialized reporting requirements such as condition reporting, mark to market, and contingencies
18. Timing of nominal and cash account roll causes beginning balances for new year to change during the closing process
19. DSHS providers have 120 days to bill, which is after phase 3 ends
20. Agencies needing to close early must track and reconcile post-closing adjustments
21. Some agencies post accruals late
22. Late adjustment errors are difficult to correct
23. Systems at community colleges do not allow multiple fiscal periods to be open simultaneously